

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-13 L-03 H-01 PA-01
PRS-01 AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-07
NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 LAB-04
SIL-01 OMB-01 NSC-05 SS-15 STR-05 CEA-01 /108 W
-----036060 051032Z /13

R 040552Z NOV 77
FM AMEMBASSY RANGOON
TO SECSTATE WASHDC 4425
INFO AMEMBASSY MANILA

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MANILA FOR USADB

E.O. 11652: N/A
TAGS: EAID, EFIN, BM
SUBJECT: ADB TECHNICAL ASSISTANCE TO BURMA FOR MYANMA ECONOMIC
BANK

REF: MANILA 17295

BEGIN SUMMARY: EMBASSY RECOMMENDS FAVORABLE NAC ACTION ON
SUBJECT PROPOSAL. THE MYANMA ECONOMIC BANK, IF IT PROPERLY
IMPLEMENTS ITS LEGAL CHARTER, COULD PLAY A CRUCIAL ROLE IN
BURMA'S ECONOMIC DEVELOPMENT. OUTSIDE OBSERVERS BY THEIR VERY
PRESENCE COULD HELP TO PREVENT ATTEMPTS TO UNDERMINE A LESS
CENTRALIZED SYSTEM AND GIVE ENCOURAGEMENT AND ADVISE TO THOSE
ON THE TECHNICAL LEVEL WHO ARE UNFAMILIAR WITH PROCEDURES
CALLING FOR INDIVIDUAL OR CORPORATE INITIATIVE. THE TECHNICAL
ASSISTANCE PROGRAM SHOULD GIVE ATTENTION TO MDTH PS OF BUILDING
UP DOMESTIC SAVINGS TO HELP FINANCE THE GUB'S INVESTMENT GOALS.
END SUMMARY.

1. EMBASSY CONCURS WITH USADB IN SUPPORTING SUBJECT PROPOSAL
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AND RECOMMENDING FAVORABLE NAC ACTION.

2. THE MYANMA ECONOMIC BANK (MEB) SERVES AS BURMA'S COMMERCIAL
BANK AND DEVELOPMENT BANK FOR THE NON-AGRICULTURAL SECTOR.
BY LAW THE BANK IS EMPOWERED TO UNDERTAKE SAVINGS BUSINESS
INCLUDING THE ISSUANCE OF CASH CERTIFICATES, SAVINGS
CERTIFICATES AND SAVINGS STAMPS. IT CAN CONDUCT SMALL LOAN

BUSINESS; SELL OR HOLD PROPERTY OR OTHER COLLATERAL PLEDGED AS SECURITY FOR LOANS; ACT AS EXECUTOR OR TRUSTEE IN SETTLEMENT OF ESTATES; AND UNDERWRITE, NEGOTIATE OR MANAGE ANY ISSUE OF LOANS, DEBENTURES OR SHARES. IT IS ALSO AUTHORIZED IN ADVANCE LOANS TO ENTERPRISES IN ACCORDANCE WITH DEVELOPMENT PLANS, SUPERVISE THE LOANS TO SEE THAT THEY ARE UTILIZED IN ACCORDANCE WITH DEVELOPMENT PLANS; AND BORROW MONEY INSIDE OR OUTSIDE THE COUNTRY FOR THE PURPOSE OF ECONOMIC DEVELOPMENT. IT IS ALSO TO ASSIST THE STATE IN THE FINANCIAL SUPERVISION OF ECONOMIC ENTERPRISES INCLUDING COOPERATIVE AND PRIVATE ENTERPRISES; GUARANTEE FINANCIAL OBLIGATIONS; AND PROVIDE FOR THE PROCUREMENT OF MANAGERIAL AND TECHNICAL ADVICE AND SERVICES FOR ECONOMIC ENTERPRISES.

3. HENCE, THE MEB COULD PLAY A CRUCIAL ROLE IN BURMESE ECONOMIC DEVELOPMENT. ON THE OTHER HAND, AS WITH MANY OF THE GUB'S REFORM MEASURES, ITS ROLE COULD BE IGNORED OR STIFLED THROUGH EXCESSIVE CENTRAL CONTROL TO THE EXTENT THAT IT MIGHT BECOME JUST ANOTHER BUREAUCRATIC HINDRANCE TO EFFICIENT ECONOMIC OPERATIONS. FURTHER, THERE ARE THOSE WITHIN THE GUB WHO OPPOSE DECENTRALIZATION AND PERHAPS WOULD ATTEMPT TO UNDERMINE THE MORE INDEPENDENT OPERATIONS OF THE BANK. OTHERS THROUGH LACK OF FAMILIARITY WITH INDIVIDUAL AND CORPORATE INITIATIVE MIGHT TEND TO PREFER TO RELY ON CENTRAL DIRECTION. THE EXISTENCE OF AN OUTSIDE GROUP OF ADVISERS MIGHT WELL HELP PREVENT ATTEMPTS TO UNDERLIMITED OFFICIAL USE

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MINE THE SYSTEM AND PROVIDE STIMULUS FOR MORE INDEPENDENT ACTION.

4. ONE IMPORTANT ASPECT THAT THE TECHNICAL ASSISTANCE SHOULD CONSIDER IS A METHOD TO ENCOURAGE AND BUILD UP SAVINGS WITHIN THE LEGAL BANKING SYSTEM. GUB INVESTMENT TARGETS IMPLY THAT DOMESTIC SAVINGS MUST GROW FROM ABOUT 9 PERCENT OF GNP AT PRESENT TO AROUND 17 PERCENT BY 1981/82. IF BURMA IS EVEN TO APPROACH THIS RATE, PUBLIC ATTITUDES AND BANKING PROCEDURES MUST UNDERGO A DRAMATIC CHANGE. THE PROPOSED T.A. COULD LAY THE GROUND WORK FOR SUCH A CHANGE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TECHNICAL ASSISTANCE, ECONOMIC ASSISTANCE, BANKS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Nov-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977RANGOO03428
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770408-0617
Format: TEL
From: RANGOON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771194/aaaadcwz.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 43122e22-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 MANILA 17295
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 711822
Secure: OPEN
Status: NATIVE
Subject: ADB TECHNICAL ASSISTANCE TO BURMA FOR MYANMA ECONOMIC BANK
TAGS: EAID, EFIN, BM, ADB
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/43122e22-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009